

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 DODE-00 CIAE-00 PM-04 INR-07 L-03
ACDA-07 NSAE-00 PA-01 SS-15 PRS-01 SP-02 USIA-06
TRSE-00 SAJ-01 EB-07 COME-00 FRB-03 DOTE-00 FMC-01
SAL-01 CG-00 DLOS-06 OES-06 STR-04 /101 W
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R 171720Z JAN 77
FM USMISSION NATO
TO SECSTATE WASHDC 1171
INFO ALL NATO CAPITALS 6700
AMEMBASSY BERLIN
AMEMBASSY BUDAPEST
AMEMBASSY BUCHAREST
AMEMBASSY MOSCOW
AMEMBASSY PRAGUE
AMEMBASSY SOFIA
AMEMBASSY WARSAW
USMISSION GENEVA
USNMR SHAPE
USLO SACLANT

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BRUSSELS ALSO FOR EC BRUSSELS
PARIS ALSO FOR OECD PARIS

E.O. 11652: GDS
TAGS: NAC, EEWT, EWWT, UR
SUBJECT: NORTH ATLANTIC COUNCIL DISCUSSION OF SOVIET SHIPPING

SUMMARY: THE JANUARY 12 NAC MEETING CONFIRMED STRONG
ALLIED INTEREST IN SOVIET/EE MARITIME DEVELOPMENTS AND
RESULTED IN A MANDATE TO THE ECONADS TO KEEP THE QUESTION
UNDER PERIODIC REVIEW. THE DUTCH, IN PARTICULAR, CALLED
FOR CONSULTATIONS IN NATO ON THE SECURITY AND POLITICO-
ECONOMIC IMPLICATIONS OF SOVIET PENETRATION OF WORLD
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MARITIME TRANSPORT MARKETS COMPLEMENTARY TO EXISTING WORK
IN MORE SPECIALIZED INTERNATIONAL GROUPS (INCLUDING THE
OECD MARITIME TRANSPORT COMMITTEE, THE CONSULTATIVE
SHIPPINGGROUP, AND THE EC). ONLY THE FRENCH, CAUTIONED
AGAINST EXPANDING NATO- AND PARTICULARLY COUNCIL-ACTIVITY
INTO THIS FIELD. END SUMMARY.

1. AT ITS JANUARY 12 MEETING THE NAC DISCUSSED TWO ECONOMIC
COMMITTEE REPORTS WHICH GREW OUT OF A REQUEST LAST WINTER
BY THE SACLANTREP/EUR FOR AN ECONADS STUDY OF POSSIBLE SOVIET

ECONOMIC VULNERABILITY TO ALLIED NAVAL COUNTERMEASURES AGAINST SEABORNE TRADE TO SOVIET/EE PORTS IN THE EVENT OF CRISIS OR TENSION. THE FIRST, C-M(76)58, "IMPORTANCE OF SHIPPING TO THE SOVIET UNION", CONCLUDES THAT THE USSR IS BASICALLY INVULNERABLE, IN THE SHORT RUN, TO SUCH POSSIBLE COUNTERMEASURES SINCE IT IS DEPENDENT ON SEABORNE IMPORTS FOR ONLY FOUR OR FIVE COMMODITIES- ALL OF WHICH COULD BE (AND PROBABLY ARE) STOCKPILED. THE SECOND, C-M(76)59, "ROLE OF THE SOVIET MERCHANT FLEET IN INTERNATIONAL SHIPPING," RESPONDS TO THE DESIRE OF SEVERAL ALLIED GOVERNMENTS TO EXPAND THE STUDY FOR SACLANT TO DEAL ALSO WITH THE IMPLICATIONS FOR THE ALLIANCE OF SOVIET/EE PENETRATION INTO WORLD SHIPPING MARKETS. A THIRD, ELEMENT OF THE ECONADS STUDY, ON THE SOVIET FISHING FLEET, IS STILL IN REPARATION BUT SEVERAL PERMREPS CALLED FOR ITS EARLY COMPLETION AND NAC REVIEW SO IT WOULD BE AVAILABLE IN TIME FOR THE MAY NATO MINISTERIAL MEETING.

2. CHAIRMAN OF THE MILITARY COMMITTEE ADM. HIL- NORTON CONVEYED SACLANT'S APPRECIATION FOR THE REPORTS. HE UNDERTOOK TO OBTAIN A MORE DETAILED MILITARY APPRECIATION FROM SACLANT IN RESPONSE TO A QUERY BY APULS (FRG), BUT GAVE HIS PERSONAL ASSESSMENT THAT THE CONCLUSIONS OF THE TWO REPORTS WERE VALID. HE POINTED TO THE CENTRALIZED DIRECTION OF SOVIET MARITIME ACTIVITIES - BOTH NAVAL AND "CIVILIAN" AND TO THE HEAVY INVOLVEMENT
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OF THE LATTER BRANCH IN INTELLIGENCE COLLECTION, SACLANT AWAITED THE FISHERIES REPORT WITH INTEREST.

3. CATALANO (ITALY), SCHURRMANS (BELGIUM), SVART (DENMARK), TINE (FRANCE), AND HOLMER (UK) JOINED IN PRAISING THE REPORT. HOLMER COMMENTED THAT IF IT WERE TO BE UPDATED UK AUTHORITIES SUGGESTED TRADE STATISTICS BE BASED ON A THREE-YEAR AVERAGE, TO EVEN OUT NON-RECURRING EVENTS (E.G. EFFECTS OF THE YOM KPPUR WAR IN 1973). WHILE GRANTING THAT EXPORTS FROM NATO COUNTRIES WERE SUBJECT TO ALLIED CONTROL AT THE SOURCE AND HENCE NOT ANALYZED IN THE PRESENT METHODOLOGY, HE FELT THE NEXT REPORT SHOULD INCLUDE THEM, AS WELL AS AN ESTIMATE OF THE IMPACT ON THE SOVIETS OF THEIR DENIAL.

4. TURNING TO THE SECOND REPORT, ON THE SOVIET MARITIME FLEET, SVART, PAULS, HARTOGH (NETHERLANDS), AND LAGACOS (GREECE) CONCURRED IN THE POLITICO-ECONOMIC DANGER TO THE ALLIES OF UNRESTRICTED SOVIET PENETRATION IN THE WORLD SHIPPING MARKETS, PARTICULARLY IN UNFAIR COMPETITION IN CROSS TRADES. FROM THE STRATEGIC POINT OF VIEW, THEY NOTED THAT WHAT ADVERSELY AFFECTS THE HEALTH OF ALLIED MERCHANT FLEETS DEROGATES FROM THE CAPABILITY FOR RESUPPLY IN TIME OF CRISIS OF WAR. HARTOGH REPORTED THAT THE C-M HAD BEEN CONSIDERED BY A HIGH LEVEL INTERMINISTERIAL GROUP IN THE HAGUE,

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AND CONSEQUENTLY HE HAD BEEN INSTRUCTED
TO PROPOSE THAT THE ALLIES CONSIDER UNILATERAL, BILATERAL,
AND MULTILATERAL EFFORTS TO PROTECT THEMSELVES AGAINST THE
PROBLEM POSED BY SOVIET/EE MERCHANT FLEET EXPANSION AND RATE
CUTTING. THE GON FELT THAT THE ECONADS AND THE COUNCIL
WOULD BE USEFUL COMPLEMENTARY FORA FOR CONSULTATION ON THIS
SENSITIVE SUBJECT IN ADDITION TO THE OTHER INTERNATIONAL
ORGANIZATIONS (E.G. THE OECD MARITIME TRADE COMMITTEE,
CONSULTATIVE SHIPPING GROUP, EUROPEAN SHIPPERS COUNCIL,
AND THE EC) HAVING PERHAPS GREATER FUNCTIONAL EXPERTISE
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BUT MORE LIMITED POLICY ORIENTATION. WE HAVE TRANSMITTED
TEXT OF HARTOGH'S INSTRUCTED REMARKS BY REF B TO DEPARTMENT
AND SELECTED ADDRESSEES.

5. TINE UNDERTOOK TO REPORT HARTOGH'S PROPOSALS BUT -
NOTING THE "DELICATE ASPECTS" WHICH SUCH COORDINATED WESTERN
ACTIONS MIGHT HAVE FOR EAST-WEST RELATIONS AS A WHOLE -
HE URGED "CAUTION, CAUTION, CAUTION" IN THEIR FURTHER

CONSIDERATION. IT WAS NOT FOR NATO TO DRAW CONCLUSIONS IMPINGING ON THE AREAS OF RESPONSIBILITY OF OTHER BODIES, HE SAID.

6. HOLMER FELT THAT THE REPORT SHOULD NOT BE VIEWED FROM AN EXCESSIBELY ALARMIST STANDPOINT. NEVERTHELESS, WHILE THE SOVIETS HAD NOW BEGUN TO SEEK ADMISSION TO CERTAIN OF THE SHIPPING CONFERENCES, THESE WERE PRIMARILY ON THE MORE LUCRATIVE RUNS, E.G. THE NORTH ATLANTIC TRADE. IN OTHER AREAS THEY CONTINUED TO PLAY THE OUT-SIDER, UNDERCUTTING CONFERENCE RATES. IT WAS RIGHT OF THE REPORT, TO WARN OF THE POSSIBLE MILITARY USES OF THE NEWER VESSELS-PARTICULARLY THE ROLL-ON/ROLL-OFF CRAFT. A SUBSEQUENT REPORT SHOULD CONTAIN SOME ESTIMATE OF ANY CAPACITY IN EXCESS OF LIKELY "CIVIL" REQUIREMENTS. HE STRESSED UK INTEREST IN THE EARLY ISSUANCE AND EARLY PERMREPS REVIEW OF THE ECONADS SOVIET FISHERIES REPORT SO THAT IT WOULD BE AVAILABLE FOR THE MAY NATO MINISTERIAL MEETING. IT MIGHT BE APPROPRIATE FOR THE ECONADS TO SCHEDULE A REINFORCED MEETING ON SOVIETS FISHERIES NEXT FALL.

7. BACON (CANADA) RECOGNIZED DANGER OF EASTERN PARTIES PLAYING OFF ALLIES AGAINST EACH OTHER DURING COURSE OF MARITIME NEGOTIATIONS AND SUGGESTED ECONADS PREPARE A STUDY OF THE TERMS OF EXISTING BILATERAL AGREEMENTS SO THAT MEMBERS WOULD BE AWARE OF WHAT OTHERS HAD ALREADY DONE WITH THE SOVIET/EE STATES. OF PARTICULAR INTEREST MIGHT BE EXTENT TO WHICH NON-CONFERENCE SHIPS CAN USE ALLIED PORTS TO CONFIDENTIAL

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PICK UP CARGO FOR THIRD COUNTRIES.

9. SUMMARIZING THE DISCUSSION, ACTING SYG PANSA CONCLUDED COUNCIL HAD NOTED THE EXCELLENT REPORTS, ECONADS CHAIRMAN BILLY (IN RESPONSE TO CATALANO'S REQUEST) WOULD ATTEMPT TO PREPARE UNCLASSIFIED VERSIONS OF THE TWO PAPERS, AND DISCUSSION WOULD TAKE PLACE IN ECONADS (TINE HAD SUGGESTED NA) ON POSSIBLE FURTHER USE OF SUCH VERSIONS. ECONADS SHOULD ATTEMPT TO UPDATE THESE REPORTS IN HALF YEAR OR SO, AND COUNCIL WOULD KEEP THE SUBJECT UNDER REVIEW. STREATOR

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